

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NOS: 21261

APPLICATION OF CENTENNIAL RESOURCE PRODUCTION LLC
TO RESCIND THE APPROVAL OF APPLICATIONS FOR PERMITS
TO DRILL FILED BY V-F PETROLEUM, INC.,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

May 14, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, BAYLEN LAMKIN, DYLAN COSS and SCOTT COX on Thursday, May 14, 2020, at the New Mexico Energy, Minerals, and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

Reported by: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

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I N D E X

CASE CALLED

MOTION 03

REPORTER CERTIFICATE 08

1 HEARING EXAMINER ORTH: Finally let's move to the
2 last matter on the docket, 21261. This is the Centennial
3 Resources. The application is to amend an order. The well
4 name is Getty 1. Who here is -- is that you, Mr.
5 Feldewert, again?

6 MR. FELDEWERT: Yes, ma'am. Madam Examiner,
7 Michael Feldewert from Holland & Hart appearing on behalf of
8 Centennial. And what we are seeking in this case is to
9 rescind the approval of the Division's approval of certain
10 drilling permits for the Getty wells.

11 HEARING EXAMINER ORTH: Okay. And V-F Petroleum
12 Inc. has also entered an appearance. Is that you, Ms.
13 Shaheen?

14 MS. SHAHEEN: Good morning, Madam Examiner.
15 Sharon Shaheen for V-F Petroleum Inc.

16 HEARING EXAMINER ORTH: Okay. Thank you. So --
17 and let me just ask, because I feel I have to -- is there
18 anyone else entering an appearance this morning in 21261?

19 (No audible response.)

20 HEARING EXAMINER ORTH: No. Okay. So as I
21 understand it, the way the Division would prefer to handle
22 this this morning is effectively it's a motion hearing,
23 followed which your, your arguments, and you can keep them
24 brief, will be taken under advisement and an order issued
25 after today. So Mr. Feldewert, on behalf of the applicant,

1 if you would make your argument.

2 MR. FELDEWERT: Thank you very much.

3 As I indicated, this application seeks to rescind
4 eight drilling permits that were approved by the Division
5 for V-F Petroleum Getty wells. They were approved back in
6 May of 2018. And you will see from the filings,
7 particularly the prehearing statement that was filed by V-F
8 Petroleum, that they do not dispute that the applications
9 were filed, the applications were filed in violation of the
10 restrictions and Division Rule 19.15.16.15A.

11 And further, they do not dispute that these, each
12 of these applications, containing false certification about
13 V-F's ownership in the approved spacing units, including the
14 bottom hole location.

15 And all of this came to light when V-F filed
16 their pooling application for the spacing units for these
17 wells over a year after they received the Division's
18 approval of drilling permits, and those pooling cases are
19 now pending before the Division under Case Numbers 20861 and
20 20862.

21 V-F, as I said, does not dispute violation of the
22 rule, they don't dispute the false certification in their
23 (unclear). Instead, they said -- they suggested the
24 Division should not worry about this rule violation or these
25 false certifications because V-F now has no intent to drill

1 under these APDs, and the disputed APDs will expire soon.

2 And that may be the case, you know, V-F does not

3 intend to drill or seek an extension of those improper

4 drilling permits, and that satisfies my client's concern.

5 But the question remains whether the Division should

6 nonetheless take action in this matter to protect the

7 integrity of the Division's permitting process because the

8 Commission adopted this rule placing restrictions on when

9 you can file a drilling permit back in 2008 for a good

10 reason. And the Division requires all officers to certify

11 their ownership on every C-102 for a good reason.

12 And it seems to me that the Division needs to

13 make it clear that operators cannot file APDs in violation

14 of this rule or submit false certifications about ownership

15 and and wash their hands of these violations after they are

16 brought to light by simply saying, "Well, we have (unclear)

17 these APDs, and we won't seek an extension." I'm sure that

18 simply dismissing Centennial's application is moot (unclear)

19 that that will send the right message.

20 HEARING EXAMINER ORTH: Thank you, Mr. Feldewert.

21 Ms. Shaheen?

22 MS. SHAHEEN: Yes, thank you, Madam Examiner.

23 First, I would like to note, Mr. Feldewert mentioned his

24 client is satisfied. With that, I think this application

25 should be dismissed. I would note that this was originally

1 filed to create some sort of leverage in continuing
2 applications that are currently on the May 28 docket. And
3 Centennial has been informed as Mr. Feldewert conceded that
4 V-F Petroleum has no intention of drilling these wells.

5 The permits expire on May 21, Madam Examiner,
6 that's a week from today. So it seems to me it's been a
7 waste of the Division's time and V-F Petroleum and
8 Centennial's assets to even bring this application before
9 the Division.

10 That said, I would like to point the
11 circumstances, this is not a bad-faith effort. He did not
12 falsely certify knowingly. So there was a petroleum
13 engineer who was employed by V-F Petroleum at the time. He
14 was unaware of the horizontal rule changes. He was also
15 unaware of the land ownership at that time, yet he submitted
16 those permits.

17 At the time V-F was also in negotiations with
18 Apache to acquire an interest in the northeast tract, which
19 is the tract in which there is no ownership at this time.
20 And because these are competing application, I understand
21 that, V-F and Centennial have been competing to acquire that
22 ownership of Apache, the trade did not go through at the
23 time because of a title issue.

24 That has been sitting as well, so V-F continues
25 to negotiate with Apache to acquire that interest. So I

1 wanted you to have that background to let you know V-F is
2 not acting in bad faith here, simply there was an advertent
3 submission of the AFE at that time.

4 Just to close, Mr. Feldewert admits his client is
5 satisfied, the permits expire, and we think the application
6 should be dismissed as moot. Thank you.

7 HEARING EXAMINER ORTH: All right. Thank you,
8 Ms. Shaheen. Mr. Feldewert, anything further?

9 MR. FELDEWERT: No, nothing further. I mean, on
10 the first -- I will say that V-F did not express and state
11 they were not going to drill on those permits until they
12 filed their application. So I'm glad to hear that they are
13 not. I will leave it up to the Division as to what they do
14 with the integrity of the permitting.

15 HEARING EXAMINER ORTH: All right. Thank you.
16 Any questions from you, Mr. Lamkin or Mr. Cox.

17 EXAMINER COX: No, ma'am.

18 EXAMINER LAMKIN: Not at this time.

19 HEARING EXAMINER ORTH: Thank you very much,
20 Counsel. We are effectively treating with as a motion for
21 rescission this morning for purposes of this session, and
22 it's taken under advisement.

23 MR. FELDEWERT: Thank you.

24 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, CCR 253, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that the
9 foregoing pages are a true and correct transcript of those
10 proceedings that were reduced to printed form by me to the
11 best of my ability.

12 I FURTHER CERTIFY that the Reporter's Record of
13 the proceedings truly and accurately reflects the exhibits,
14 if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither employed by
16 nor related to any of the parties or attorneys in this case
17 and that I have no interest in the final disposition of this
18 case.

19 Dated this 14th day of May 2020.

20

/s/ Irene Delgado

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Irene Delgado, NMCCR 253
License Expires: 12-31-20

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